

ROUTING

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NATIONAL INTELLIGENCE DAILY CABLE

Tuesday 25 July 1978

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National Intelligence Daily Cable for Tuesday, 25 July 1978.

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The NID Cable is for the purpose of informing senior US officials.

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ISRAEL: Minister's Resignation

25X1 [] Israeli Industry and Commerce Minister Yigael Hurvitz yesterday indicated his intention to resign, apparently in protest over approval of a supplementary budget he considers inflationary. Hurvitz's action underscores growing dissatisfaction in Prime Minister Begin's ruling Likud bloc with Finance Minister Ehrlich's economic policies.

25X1 [] Begin is said to be attempting to dissuade Hurvitz from leaving the cabinet, and both men have sought to play down rumors of a serious cabinet crisis. It is not clear whether any of Hurvitz's colleagues in the small rightwing Laam faction of Likud, which holds eight seats in the parliament, will drop out of the coalition if he does not withdraw his resignation. Hurvitz has left himself some room for compromise, indicating in an interview yesterday that he would meet with Laam figures opposed to his resignation and that he would consider retracting it if new arrangements could be worked out concerning the supplementary budget. []

CHILE: Consolidating Support

25X1 [] The Chilean press is speculating that Manuel Contreras, the former head of the Chilean National Intelligence Directorate, will be among those indicted next week in the assassination of one-time Ambassador to the US Orlando Letelier. Because it is widely believed that Contreras would not have acted without President Pinochet's consent, the President expects a rough time ahead and has been working to consolidate his political position. Air Force General Leigh's ouster yesterday from the ruling junta was a move in this direction.

25X1 [] Leigh's ouster was the culmination of his longstanding feud with Pinochet over the political future of the country. In this instance, Leigh's personal criticism of Pinochet during an interview with a foreign correspondent was too much for the President, who was supported by the other junta members and the Council of Ministers. Leigh's removal eliminates Pinochet's most critical colleague and strengthens the President's control over the junta.

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[] Pinochet apparently believes his position is shaky. In recent weeks, he has been campaigning throughout the country for a continuation of his government. He has been arguing that many of Chile's domestic problems would become unmanageable if he were removed. Pinochet also has been successful in playing upon fears that Chile is being encircled by unfriendly governments and that it is often the victim of foreign intervention in its domestic affairs.

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[] One result of his campaign has been the formation of a personalist political vehicle supporting the President. The Christian Democrats and other opposition politicians have been critical of this, but they are not in a position to hinder it if Pinochet judges that the public is in favor. The President has substantial popular appeal, but personal movements have had less success in Chile than in other Latin American countries.

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[] Despite Pinochet's efforts, some military officers are reported to have been conducting low-key discussions on the possibility of replacing him. For the few who have considered the President a liability for some time, the prospect that Contreras may be indicted argues for a clean sweep of the current leadership.

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[] For the majority who still support Pinochet, however, the only way to preserve the accomplishments of the military regime is to keep him in power. Although they have little else in common, both groups believe that Contreras and Pinochet will be condemned anew by the world media and that Chile's international reputation will be even more tarnished.

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[] Whatever happens during the next several weeks, it is clear that Pinochet is prepared to fight any move to oust him. His inclination is to tough it out, relying on his military and popular support as well as on his belief that he himself cannot be indicted in the Letelier murder. Whether he will be able to ride out the storm is an open question. []

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LEBANON: Situation Report

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[] Sporadic fighting between Syrian peacekeeping forces and Christian militiamen continued yesterday in the Christian suburb of Hadath south of Beirut. Tensions in northern Lebanon are increasing.

25X1 [] The fighting in Hadath appeared to be less intense yesterday than it was over the weekend. Small-arms firing is continuing, but the Syrians did not resume their large-scale bombardment of the town during the day.

25X1 [] The new fighting nonetheless poses a threat to the stability of the two-week-old cease-fire in Beirut. If the clashes cannot be brought under control within the next few days they will almost certainly spread to the capital. Lebanese President Sarkis would probably feel obligated to tender his resignation again, and Israel might consider it necessary to threaten intervention to prevent the Syrians from seriously weakening the Christian militias.

25X1 [] While the Israelis say they are counseling the militias against provoking a new crisis, their actions--including their resupply of the militias--seem to be encouraging the Christians to act provocatively.

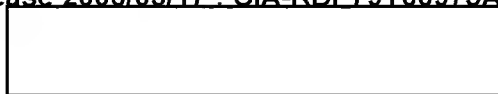
25X1 [] Many Christians are convinced that, if they get into trouble, Israel will have to rescue them to maintain its credibility as a reliable ally.

25X1 [] In northern Lebanon, Syrian troops arrested 70 members of the Phalanges Party over the weekend, according to Lebanese press reports. Those arrested have been accused of rocketing the home of a supporter of pro-Syrian Christian leader Sulayman Franjiyah last week. [] the US defense attache in Beirut reports that there were also clashes between Franjiyah forces and Phalangists in the Bekaa Valley on Saturday. 25X1

25X1 [] Syrian media attacks on the Christian militias, particularly the Phalanges, have increased in the past few days in both scope and intensity. The attacks brand the militias as "out-laws" and highlight their relationship with Israel. The press attacks seem designed to prepare domestic opinion in Syria in the event heavy fighting resumes in Beirut. [] 25X1

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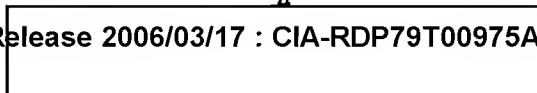


BOLIVIA: Problems for Pereda

[Redacted] Bolivian President Pereda, who took over last week in a bloodless coup, is encountering strong civilian resistance to his efforts to form a new government. Although he now has the backing of key military leaders, this support could crumble quickly if the economic situation worsens or political violence breaks out. To stay in office, Pereda will have to share power with the Army generals, who constitute the most important constituency of Bolivia's military presidents.

[Redacted] //Despite his pledge to form a government of national unity and not to persecute opposition parties, Pereda has been unable to attract the support of any leading civilian politicians. His new cabinet consists solely of military officers and rightwing supporters.//

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[] //Leftist former President Siles Zuazo has gone into hiding, vowing to spearhead a campaign of nonviolent opposition unless a new election is called. He and left-of-center ex-President Paz Estenssoro have considerable support among the country's volatile labor and student groups, which are already restless because of unresolved economic problems. The two ex-Presidents were Pereda's leading challengers in the recent annulled presidential election.//

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[] Bolivia has suffered a slowdown in economic growth and is threatened by a worsening balance-of-payments situation as petroleum exports decline and rising inflation spurs imports. Although the government has taken steps to reduce inflationary pressures, it is counting on the US and other countries to ease its balance-of-payments problem. A refusal by the US to continue to provide assistance would almost certainly accelerate Bolivia's economic decline and undercut Pereda's position.

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[] If strong domestic opposition to Pereda persists, he may be forced to abandon plans to allow political parties to operate freely and to offer workers major responsibilities in the management and ownership of the public enterprises that control much of the nation's economy. A turn toward a more repressive dictatorship, however, would make him even more dependent on the armed forces. A return by Bolivia to political and economic instability would jeopardize the close ties developed recently between Bolivia and its two most important neighbors, Brazil and Argentina. []

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NORTH YEMEN - SOUTH YEMEN: Military

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[] //Despite the tensions between them, both North Yemen and South Yemen are prevented by domestic considerations from initiating hostilities against the other. South Yemen would have an advantage in any fighting between the two not involving outside powers, even though its population is much smaller than North Yemen's.//

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[] //Both countries' armed forces suffer from insufficient training and mediocre leadership--the North more than the South. Both are also weakened militarily by political and

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tribal divisions. South Yemen's militia, which normally could serve as a reserve force, is apparently at least partly occupied with shoring up the new regime against internal opposition.//

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[] //The military inventories of both countries consist primarily of obsolescent Soviet equipment, but the Soviets have continued to provide the South Yemenis with newer items. North Yemen has received some comparable Western equipment through Saudi Arabia, but it has not kept up with South Yemen in either quantity or rate of delivery. The North lags far behind South Yemen in the number and sophistication of fighter aircraft and air defense systems.//

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[] //North Yemen has 13 infantry and two armored brigades, all significantly understrength. They are stationed in or near the capital, in the eastern desert region, and along the coastal plain and the South Yemeni border. Political reliability plays some part in assignment of units; the government is careful to keep units of proven loyalty near Sana to preserve the integrity of the regime. Officially, the number of North Yemeni ground force personnel is about 35,000, but the actual number may be closer to 10,000.//

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[] //South Yemen's Army of about 15,000 men is organized in 11 infantry brigades, located for the most part in the western part of the country, and four armored battalions in Aden.//

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[] //South Yemen has three times as many jet fighter aircraft as North Yemen--half of them MIG-21s--and twice the number of Air Force personnel. The North Yemeni Air Force consists primarily of older MIG-15s and MIG-17s, and has no MIG-21s or their Western equivalent. Soviet technical assistance to the South Yemeni Air Force is extensive, adding to the country's advantage over North Yemen.//

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[] //Most of North Yemen's nine naval craft are nonoperational because of poor maintenance. South Yemen has better maintained craft. []

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NONALIGNED: Ministers' Meeting

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[] *Foreign Ministers of the nonaligned states are meeting today in Belgrade to set the agenda and discuss the political and economic declarations to be issued at the 1979 non-aligned summit in Havana. The Belgrade meeting may serve as an indicator of the movement's direction.*

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[] The meeting comes at a time of unprecedented divisiveness among the nonaligned states. Several issues, including the Middle East and Western Sahara, divide the movement's regional groups. One issue--Cuban-Soviet intervention in Africa--has raised serious questions about the movement's political orientation and focused attention on sharp rivalries for leading positions in the movement.

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[] The draft communique--prepared beforehand by Yugoslavia as host of the meeting--is, in nonaligned terms, moderate. The draft contains reasonably balanced interpretations of nonalignment--reiterating its standard tenets--and breaks new ground with a section cautiously setting out nonaligned positions on respect for human rights.

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[] The section dealing with the Middle East emphasizes the need for an overall settlement and calls for reopening the Geneva talks. It does not contain the heavy-handed, Syrian-inspired formulations that were contained in the communique produced by the meeting of the movement's Coordinating Bureau in Havana in May. Those statements accused the US of plotting to promote a settlement without the Palestinians.

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[] The ministers at Belgrade may recommend the convening of a special session of the UN General Assembly on the Palestinian problem. The formulation equating Zionism and racism that was first raised in 1975 is not included in the draft communique, but Syria may try to include it.

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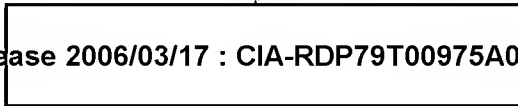
[] The section on Korea is somewhat blander than the formulation adopted in Havana, although it still favors North Korea. A North Korean success at Belgrade in marshalling support could influence Pyongyang's decision on whether to introduce a resolution in the UN General Assembly this year.

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[] Southern African issues are not likely to go beyond traditional nonaligned positions. In fact, the proposal by the five Western powers for a settlement of the Namibia question is likely to receive favorable comment, barring a breakdown in the current Security Council deliberations.

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[] Issues related to the mass media will receive attention as the group prepares for the UNESCO General Conference in October and the World Administrative Radio Conference in September 1979. The movement is responsible for coordinating



the developing countries' positions for these meetings, at which important US interests--including the free flow of information and continued unrestricted access to radio frequencies--will be involved.

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[] The delegates to the Belgrade meeting will discuss contingency planning in the event of a failure of the negotiations on the common fund by the UN Conference on Trade and Development. Other economic issues likely to be discussed are the current multilateral trade negotiations, in which developing countries think their concerns are not being satisfactorily addressed, and preparations for the next international development decade.

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[] Opposing interests within the movement will create tension at Belgrade, but a split in the group is unlikely. The outcome more likely will be a show of public unity, while the struggle within continues. []

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